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July 1984

Beverage Industry

MARKETING □ DISTRIBUTION □ TECHNOLOGY

AN HBJ PUBLICATION

Milwaukee a battleground - page 22

The retail shift

Bottlers diversify SD sales

SPECIAL REPORT—In an effort to increase sales, bottlers are increasingly diversifying their distribution of soft drinks to retail outlets. Convenience stores, general merchandise stores and vending are playing a bigger role now than ever in sales at the expense of food markets, a BI poll of bottlers and consultants has shown.

This trend has been ongoing at least over the last 10 years as evidenced by distribution market share numbers as determined by a BI survey (See chart.)

Fundamentally, bottlers agree the distribution shift has come about through an effort to increase sales by making product available in

(Continued on page 54)

InterBev speakers selected

WASHINGTON, D.C.—Some 30 internationally recognized beverage industry leaders will be featured speakers at InterBev '84, the International Beverage Industry Exhibition & Congress, slated for Nov. 12-15, at Chicago's McCormick Place.

InterBev '84 will launch an industry tradition with its all-beverage congress, the first event of its kind for the beverage industry.

Donald R. Keough, president of The Coca-Cola Co., will be the keynote speaker at the InterBev congress. Keough will discuss the global contribution of the soft drink industry. Ronald V. Davis, president of The Perrier

(Continued on page 53)

BI Report

■ SACCHARIN MORATORIUM bill has been introduced into the House of Representatives by Rep. Foley (D-Wash.) majority whip. The legislation would extend use of saccharin three years past the current expiration date, April 22, 1985.

■ MEI MAY BE NEXT

(Continued on page 64)

Coke foresees new products, innovation

ATLANTA—Coca-Cola U.S.A. president Brian G. Dyson told about 3,000 bottlers and guests here June 28 at a fast-paced business meeting that the future holds no limits. "If there's a better product we'll make it...if there's a better way we'll find it," he said.

Titled "Get Together '84," the presentation of the day-long event condensed the traditional three-day business meeting into a two and a half-hour presentation that had glitter and chorus lines, but emphasized substance, including 21 new television spots that are extensions of existing campaigns.

The aim, company officials said, was to assure the next five years would be as successful as the last five. What in the past had been done in two and a half days of meetings, Dyson accomplished in an explosive, dynamic two-hour meeting that examined the past and future.

"We have a reason to celebrate today," he stressed, "to celebrate our mutual purpose, our common effort, our spirit of

(Continued on page 18)

Pepsi rolling out Slice

Slice, new from Pepsi-Cola, makes its debut on store shelves in Tulsa and will be backed by a multi-million dollar ad budget.

TULSA, OK—Pepsi-Cola Co. recently introduced "Slice," the first major soft drink with a blend of 10% real fruit juice. Available in regular and diet versions, the lemon-lime beverage made its debut on Tulsa store shelves June 4.

"Our blend of 10% real fruit juices separates Slice from the current category leaders. It offers a real point of difference," says Roger Enrico, president and CEO, Pepsi-Cola U.S.A. Slice will use a NutraSweet/saccharin blend in the diet version.

Slice will be available in 2-L PET; 12-oz. cans; and 16-oz. NR and will be backed by a $30 million ad campaign and the slogan, "We Got the Juice." □

Secondary aseptic packaging from Meurer Co.; PET cans (white) from Thermoforming Spa; four plastic containers by Nissei—a flask, can and two bottles; new closures from VAW Aluminum (green) and Bender Werke. All were shown at Interpack. See page 40.

Features

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A new study by the Can Manufacturers Institute reports that eight states and the feds have lost nearly $75 million since the inception of bottle laws in the United States.

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Competition is heating up and merchandising of cold product is the issue this summer. **BI** explores the latest trends.

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Beverage producers are responsible for maintaining high quality water for their beverages. Billions of consumer dollars rest on bottlers' decisions.

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BI has another market city report brewing. "There's a special place for beer in Milwaukeean's hearts," Marty Westerman reports.

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Triangle Distributing Co. of Sante Fe Springs opened the largest beer distributorship facility in CA. The modern facility cost $7.5 million.

40 **New products from Interpack**
U.S. beverage producers who attended Interpack in Dusseldorf, West Germany, discovered a mecca of worldwide packaging featuring the lastest in U.S. and European technology.

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Soundoff

Complaining consumes too much time

"Self-commiseration, sitting around and complaining and bemoaning our fate is a disease, a destructive disease. It never did anybody the least bit of good except possibly a manufacturer of pocket handkerchiefs. Complaining and bemoaning one's fate consumes time that would be much better spent strengthening assets and reducing liabilities to get your company in the best possible position to take advantage of the coming upturn. Let's get off the dime. The world hasn't come to an end. Americans haven't stopped drinking. Profit pictures aren't carved in stone. Peaks and valleys (are) in every business, and we're soon going to start climbing toward the warm sunshine of the peaks.

—Howard S. Feldman
chairman
Schenley Industries, Inc.
speaking at the 41st annual meeting of the Wine and Spirits Wholesalers of America, Inc., New Orleans, May 14.

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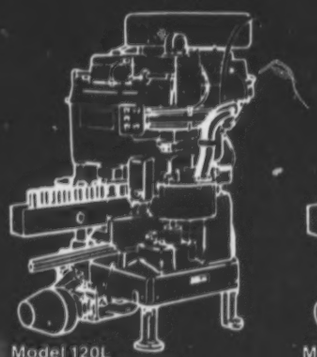

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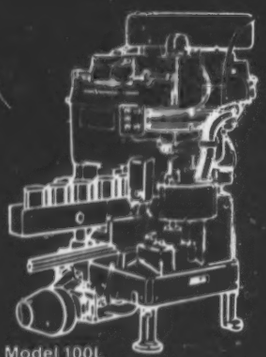

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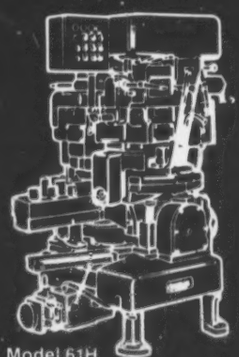

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Beverage Business Indicators*

Selected Consumer Price Index (base: 1967 = 100)

	January 1984	February 1984	% Change	February 1983	Feb. '83 vs. Feb. '84 % Change
Cola	319.9	318.3	(0.5)	312.5	1.9
Other carbonated soft drinks	149.1	152.6	2.3	147.4	3.5
Noncarbonated drinks	143.8	144.5	0.5	140.6	2.8
Wine	232.2	232.4	0.09	234.7	(1)
Beer and ale	225.7	227.7	0.9	217.4	4.7

The Consumer Price Index (CPI) is a measure of the average changes in prices over time in a fixed "Market basket" of goods and services. The index measures price changes from a designated reference date which equals 100 (usually 1967). An increase of 22 percent, for example, is shown as 122. This change can also be expressed in dollars as follows: The price of a base period "market basket" of goods and services in the CPI has risen from $10 in 1967 to $12.20.

Source: U.S. Department of Labor Bureau of Labor Statistics

Closures for Beverages (thousands of gross)

	October 1983	November 1983	% Change	November 1982	Nov. '82 vs. Nov. '83 % Change
Metal (for spirits, wines)*	62,652	64,772	3.4	53,276	21.6
Plastic (for spirits, wines)*	120,161	115,546	(3.8)	120,591	(4.2)
Metal Crowns (beer & soft drinks)	13,238	12,543	(5.3)	15,077	(16.8)
Soft drink (convenience and conventional)	5,150	4,081	(20.8)	4,161	(1.9)
Beer (convenience and conventional)	8,088	8,462	4.8	10,916	(22.5)
All other metal closures other than crowns	7,921	6,358	(19.8)	5,591	13.7

*thousands of units

Source: U.S. Department of Commerce Bureau of the Census

Bottle Shipments (thousands of gross) (not seasonally adjusted)

	October 1983	November 1983	% Change	November 1982	Nov. '82 vs. Nov. '83 % Change
Glass Bottle Production Total Bottles:	22,792	20,260	(11.1)	22,906	(11.6)
Beverage: Refillable	140	253	80.7	314	(19.4)
Nonrefillable	4,415	3,978	(9.9)	4,169	(4.6)
Beer: Refillable	137	111	(19)	41	170.7
Nonrefillable	6,790	6,142	(9.5)	7,562	(18.8)
Liquor	1,378	1,179	(14.4)	1,260	(6.4)
Wine	820	691	(15.7)	696	0.7
Plastic Bottle Production* Carbonated beverages	168,320	163,129	(3.1)	205,048	(20.4)

*thousands of units

Source: U.S. Department of Commerce Bureau of the Census

Selected Producer Price Index (base: 1967 = 100)

	January 1984	February 1984	% Change	February 1983	Feb. '83 vs. Feb. '84 % Change
Soft drinks	332.6	334.5	0.6	325.6	2.7
Alcoholic beverages	207.6	208.7	0.5	202.5	3.1
Beverages and beverage materials	268.4	270.0	0.6	261.6	3.2
Packaged beverage materials	335.9	339.5	1.1	325.1	4.4

The Producer Price Index (PPI) is a measure of the average changes in prices received in primary markets of the United States by producers of commodities in all stages of processing. These data were formerly called the Wholesale Price Index. The name was changed to more accurately reflect the coverage of the data. PPI's are designed to be interpreted in the same manner as the CPI.

Source: U.S. Department of Labor Bureau of Labor Statistics

Sweeteners (cents per pound)

	February 1984	March 1984	% Change	March 1983	March '83 vs. March '84 % Change
55% Corn Syrup High Fructose Decatur, Il., tank cars, cwt.	14.25	14.25	0	14.25	0
Sugar, liquid ind. no. 2 per cwt. solids, F.O.B. (N.E. refinery)	31.45	31.45	0	32.20	(2.3)

NA: Not Available

Source: The Journal of Commerce

Imported Beverages (proof gals)

	December 1983	January 1984	% Change	January 1983	Jan. '83 vs. Jan. '84 % Change
Beer*	15,394,372	15,919,008	3.4	14,242,179	11.8
Whiskey	8,663,859	4,830,787	(44.1)	9,588,675	(49.5)
Brandy	638,228	491,872	(22.9)	633,657	(22.4)
Gin	494,406	356,877	(28)	356,085	(0.06)
Rum	109,882	49,695	(54.8)	103,621	(52)
Cordials & liqueurs	803,856	879,765	9.4	713,497	23.3
Others	1,027,643	578,049	(43.8)	974,742	(40.7)
Total	27,132,248	23,114,034	(14.8)	26,612,661	(13.1)
Sparkling wines	1,715,174	1,356,748	(20.9)	1,011,300	34.2
Still wines, table	10,346,685	10,605,181	2.5	11,471,264	(7.6)
Still wines, fortified	299,709	113,278	(62.2)	236,174	(52)
Vermouth	289,169	265,356	(8.2)	291,889	(9)

*Includes ale, stout, porter

Source: National Association of Beverage Importers

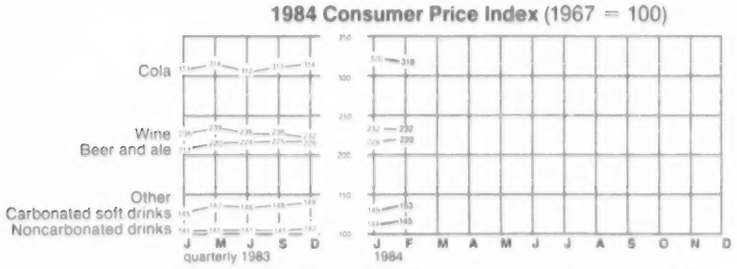
Alcoholic Beverage Removals (barrels of 31 gals)

	November 1983	December 1983	% Change	December 1982	Dec. '82 vs. Dec. '83 % Change
Beer	13,303,6bd	12,187,270	(8.4)	12,387,711	(1.6)
Wine*	37,823,353	34,687,237	(7.8)	33,572,136	3.3
Spirits*	31,587,024	24,848,922	(21.3)	28,244,078	(12)

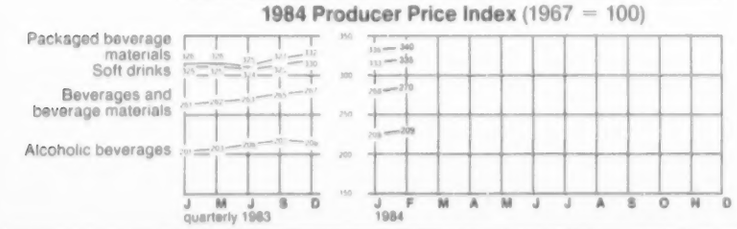
*wine gals

Source: U.S. Department of the Treasury Bureau of Alcohol, Tobacco and Firearms

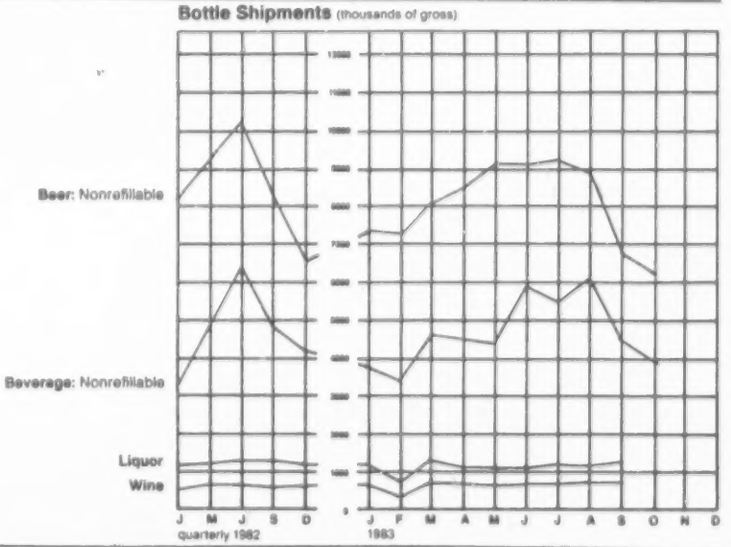
1984 Consumer Price Index (1967 = 100)



1984 Producer Price Index (1967 = 100)



Bottle Shipments (thousands of gross)



Compiled by Statistical Research Center (SRCH) for Beverage Industry

Cincinnati Coke is the first to utilize Mickey body on Tiltmaster chassis

CINCINNATI—The Coca-Cola bottler here may be the first to use a Tiltmaster chassis with a route truck body, but if success continues, he won't be the last.

"It's the only one that we know of in operation right now," says Dave Leasure, fleet manager for Cincinnati Coke, adding that it has passed every test since it went on the road the end of May.

The 12-bay route truck has a cab-over-engine Chevrolet chassis, the Tiltmaster model, combined with all-aluminum, uni-body construction from Mickey Truck Bodies of High Point, NC. The Tiltmaster was purchased through Equipment Maintenance Systems by Cincinnati Coke from McCloskey Chevrolet; it's a Class-6 rated power unit with 30,000 gvw, the newest offering in its class.

The 12-bay beverage body combines materials such as 6061-T6 extrusion alloy (equal to 45,000 lbs. psi yield) and 5052-H32 sheet alloy (equal to 40,000 lbs. psi yield), secure and weathertight locking systems, the heaviest extruded door track in the industry, and other "2O/20" features of Mickey Truck Bodies.

Cincinnati Coke operates within a 90-mile radius of the city. Cincinnati Coke's Tiltmaster beverage delivery system joins the fleet which includes 207 route trucks, 18 route delivery tractor/trailer units, 11 over-the-road rigs, 84 special event (concessions) trailers, 62 vans, 53 pickups, and 100 cars in the transportation system serving many of the Queen City soft drink customers.

Both Leasure and Don Breen, executive vice president and manager, along with Dennis Vickery of Equipment Maintenance Systems, placed the Tiltmaster on the roughest, longest route in the system. The route takes this new equipment and its contents into the southeast portion of Indiana and back to its Cincinnati base of daily operation.

"We worked with Dennis Vickery. He was the one who got us interested in bringing the Tiltmaster design into the beverage field," Leasure says. "Dennis had experience with the chassis in a St. Louis operation that had two Tiltmasters with 18-foot van bodies carrying coolers and vending machines."

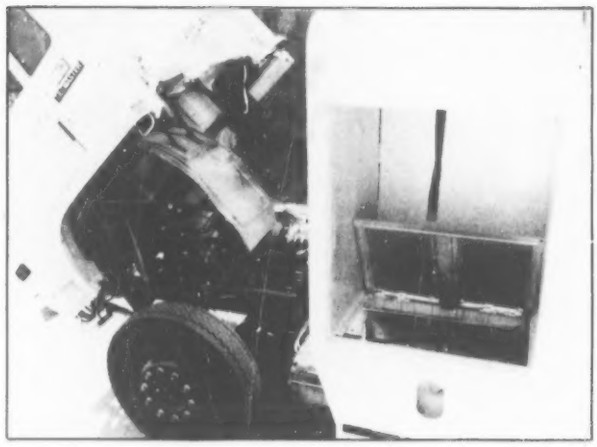
Putting the prototype together required the chassis to be driven to the Mickey headquarters in North Carolina. A beverage delivery system was attached, and the Equipment Maintenance System people drove the unit back to Cincinnati, serviced it and handed it over to Cincinnati Coke.

"We felt all along this would work in the beverage field," Vickery says. "We had these two St. Louis units operating above and beyond expectations for two solid months and with over 7,000 miles each under their belts.

"We were quite sure that a Cincinnati area end-user such as Cincinnati Coke could do well with this type of equipment because St. Louis and Cincinnati have the same type of terrain, weather, and beverage delivery patterns," he adds. "And we at Equipment Maintenance Systems have considerable experience in the field with over 1,200 units for customers in service. Cincinnati Coke is our largest customer with 595 pieces of equipment that we service and maintain for them, and Don Breen was very receptive to our proposal using a Tiltmaster chassis with beverage body."

Dave Leasure explains further, "...the Tiltmaster was priced right from McCloskey here in Cincinnati, it has the latest body design and technology from Mickey, and on the road it shows better maneuverability than the other route trucks. Its fuel mileage is good...our best so far has been nine miles to the gallon, and it operates well over the terrain in this area where it's hilly in places.

"We had Jerry Sloan of Coca-Cola USA out of Atlanta up to see this unit and he had a number of favorable remarks to make about it," Leasure adds.



The raised cab-over-engine Tiltmaster provides mechanics with clear access to the engine for service and any needed repairs. Cincinnati Coke is the first bottler to use the unit.

• For more information on **Mickey Trucks,** circle no. 288 on reader service card; on **Chevrolet's Tiltmaster chassis,** no. 289. □

The retail shift

Bottlers diversify SD sales

(Continued from page 1)

more kinds of outlets. While food markets are still responsible for the majority of soft drink sales, it's not surprising that they have lost share and this trend is expected to continue as soft drinks are distributed in an increasingly more diversified number of retail outlets.

"Industry growth has slowed and it's beginning to segment sales into very specific retail outlets," says Janet Fanshawe, vp-marketing, Beverage Marketing Corp. "Stores that never sold soft drinks before are becoming important factors in the market. Everyone has to fight to increase sales and the only way to do it is to get the product out there," she adds.

One industry analyst contends lifestyle factors have played an increasing role in where people purchase their soft drinks. "Both convenience stores and vending are on the rise. Families with two wage earners don't shop as frequently at food stores as they once did. They make more frequent trips to pick-up a couple of items, including soft drinks, at convenience stores," he says.

And he expects that trend to continue. "The only thing that might stop it is if people think about what they're paying for product at these outlets."

Certainly, discounting, which occurs mostly in food stores, has prevented further erosion of food store sales.

"Food stores will continue to do well with the large sizes—64 ozs.—because of the price benefit for families when they are discounted," he says.

Shelf space problems have been another factor in retail trends. "The only place that shelf space is really a factor is the food store where the little guy is getting squeezed out. It's not as much of a factor in a convenience store where most of the sales are in single service."

But problems finding enough shelf space in a food store has forced bottlers to scramble to look in other directions to market their product.

Adds Fanshawe: "Supermarkets are a very competitive arena for your product because there are so many new products. Franchise companies have made a fundamental decision to make their product available to more outlets. So they've created this shift to other outlets."

Regional differences definitely play a role in where products are purchased, a survey of bottlers indicates.

For instance, Inland Coca-Cola Bottling Co., Boise, ID, bucks the tide. "Food store sales are growing at the fastest rate," says Dan Thomas, Inland spokesman. "Convenience stores are second and vending is the slowest," he adds.

"I don't think we have a typical environment, though. Food store sales had been weak here and now they're coming on strong."

Thomas says discounting, like in other markets, has had a tremendous influence in Boise, and are about 30% of the reason sales have been up for Inland.

A bottler in southern West Virginia says the cold bottle market is the biggest portion of his sales, and, thus, distribution is heaviest in small mom and pop stores.

"Unemployment is still high here. We haven't rebounded like the rest of the country has, and so the single-service, cold bottle market makes up a big portion of our sales," he said.

Scanning has enabled better tracking of retail sales, bringing to light some interesting facts.

A study of 2-L cola done in four phases showed the soft drink sold best with a merchandising display and a reduced price.

With no merchandising display and regular price, 185 cases were sold over a two-week period. With a merchandising display and regular price, 275 cases were sold. With reduced prices and no display, 321 cases were sold. But in the fourth test when the combination of reduced prices and a merchandising display were utilized, 542 cases of the 2-L cola were sold.

Another food store chain studied reductions in prices of orange juice and found that a comparatively small price reduction can be more profitable than a sizeable one.

Yet another study by a food mart concluded that promotions or displays will continue to sharply increase sales even after two months. □

"Food stores will continue to do well with the large sizes—64 ozs.—because of the price benefit for families when they are discounted."

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